

Consolidated financial report for the half-year ended 31 December 2014



(ABN 41 124 212 175)

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Corporate Directory

Directors

Mr Iain M. C. Kirkwood (*Chairman*)
Mr Matthew T. M. Keen
Mr Joseph M.J. van den. Elsen

Secretary

Mr Lee D. Mitchell

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway Pty Ltd
Applecross WA 6153

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

Solicitors

Logie-Smith Lanyon Lawyers
Level 12, 575 Bourke Street
Melbourne VIC 3000

Bankers

National Australia Bank
Business Banking Centre
49-51 Malop Street
Geelong VIC 3220

Stock Exchange Listings

MHM Metals Limited shares are
listed on the Australian Securities Exchange

Ordinary Fully Paid Shares (ASX Code: MHM)

Registered Office in Australia

72-80 Buckley Grove
Moolap VIC 3221
Phone: +61 3 5248 2002
Facsimile: +61 3 5248 3498
Email: info@mhmmetals.com
Website: www.mhmmetals.com

Directors' Report

The directors of MHM Metals Limited ('MHM' or the 'Company') submit herewith the financial report of MHM Metals Limited and its subsidiaries (the Group) for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name

Mr Iain M. C. Kirkwood
 Dr David B. Menzies
 Mr Matthew T. M. Keen
 Mr Joseph M. J. van den Elsen

The above named directors held office during and since the end of the half-year except for:

- Mr Joseph M. J. van den Elsen – appointed 10 December 2014
- Dr David B Menzies – resigned 28 February 2015

Principal activities

During the period the principal activities of the Group consisted of aluminium salt slag processing and production of Non Metallic Product (NMP) for sale to domestic and overseas customers.

Dividends

No dividends were paid to members during the half- year and the directors do not recommend the payment of a dividend.

Review of operations

(a) Financial performance

| | Half-year ended | |
|---|--------------------|--------------------|
| | 31 Dec 2014 | 31 Dec 2013 |
| | \$ | \$ |
| Revenue from continuing operations | 2,034,364 | 3,785,232 |
| Loss before income tax expense | (3,472,070) | (4,172,120) |
| Income tax benefit | 1,483,628 | 1,387,802 |
| Profit /(loss) attributable to members of MHM Metals Limited | (1,988,442) | (2,784,318) |

Revenue decreased to \$2,034,364 (2013: \$3,785,232)

(b) Financial position

At the end of the half-year MHM Metals Limited had cash balances of \$3,369,491 and net assets of \$5,390,161. Total liabilities amounted to \$2,039,684 being trade and other payables of \$633,223 and provisions of \$1,406,461.

Directors' Report (cont'd)

Review of operations (cont'd)

During the reporting period, MHM's Australian aluminium operations delivered gross half-yearly cash receipts from customers of \$3,110,136. Total cash receipts arising from R & D tax incentive for the 2013/14 financial year was \$2,152,079. The half-year net cash provided by operating activities was \$977,704.

There was no capital expenditure during the reporting period.

CORPORATE

During the half-year period Joseph van den Elsen was appointed to the board as a non-executive director. Joseph is a qualified Australian Lawyer and is currently an Executive Director of Hampshire Mining Group, a privately owned coal project development group. Prior to joining Hampshire Mining Group, Mr van den Elsen was an Associate Director with UBS having previously held a comparable position with Goldman Sachs JB Were.

Subsequent to the half-year Dr. David Menzies retired from the board. The Board thanks David for his involvement with the Company in a challenging period.

MOOLAP PLANT

As previously disclosed, the shutdown of the Sims Laverton plant and then subsequent shutdown of the Alcoa Yenorra plant means that there is no longer a supply of feedstock for the Moolap operations. Alcoa will ship the last of its feedstock to Alreco in March 2015 and the Moolap operations will cease during the 3rd quarter of FY2015.

Post the operational closure of the Moolap facilities a clean up operation will commence. The clean up will require the removal, either by sale and/or disposal of the remaining NMP and partly processed material on the site at 80 Buckley Grove. It is expected that this will be ongoing for several months. The Company is focused on completing the clean up in the most cost effective and environmentally sensitive manner.

Once the Moolap facility is remediated to an acceptable standard the Company will look to dispose of the property, plant and equipment.

RUSSELLVILLE PROPERTY, KENTUCKY, USA

As foreshadowed in the results of the Company's strategic review announced to the market on 30 September 2014, the Company has placed the Russellville property on the market. Whilst there can be no certainty as to the timing of the sale, nor the ultimate sale price, the Company is confident of ultimately realising at least \$800k USD, consistent with the carrying value of the property.

LITIGATION

In September, a Federal Court judgement was handed down in the case the Company had bought against its former Managing Director, Frank Rogers, and Rogers Southern Pty Ltd in favour of Company. The judgement was for \$548,581 plus costs and interest for a total of \$1,045,821. Frank Rogers and Rogers Southern appealed the judgement and that appeal was heard on the 2nd of March 2015. The Company is confident of its position and awaits the decision on the appeal process.

Directors' Report (cont'd)

Review of operations (cont'd)

FINANCIAL POSITION OF THE COMPANY

As at 31 December 2014 the Company held a total of \$3.4 million in cash and cash equivalents and as per the Group's reviewed financial statements, an equity valuation of \$5.4 million, including a provision for the Moolap plant clean up, equivalent to an NTA of 4.0c per share. Further the Company can expect to receive \$1 million later in the year in respect of the FY2015 R&D Tax Incentive of which \$500,000 is accrued in the balance sheet (in FY2014, the Company received \$2,152,079).

Accordingly taking into account the assets available currently and expected cash receipts, the directors believe that the Company is in a position to more than adequately to fund the clean up of the 80 Buckley Grove property.

Importantly, aggregating the current liquid assets with expected proceeds from FY2015 R&D tax incentive ,sales of freehold property and Plant & Equipment and the expected recovery of litigation judgments, the directors are of the view that MHM will be in a strong position to invest in a new business opportunity, capable of becoming its principal long term undertaking.

The company continues to assess business opportunities capable of becoming the principal long term undertaking and will keep the market informed of any and all material developments.

Directors' Report (cont'd)

Auditor's independence declaration

A copy of the auditor's independence declaration is included on page 8 of the half-year report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest whole dollar, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*
This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors



Mr Iain M. C. Kirkwood
Director
Geelong, 16 March 2015

The Board of Directors
MHM Metals Ltd
80 Buckley Grove
Moolap VIC 3221

16 March 2015

Dear Board Members

MHM Metals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MHM Metals Limited.

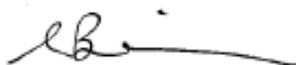
As lead audit partner for the review of the financial statements of MHM Metals Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

Directors' Declaration

For the half-year ended 31 December 2014

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Mr Iain M. C. Kirkwood
Director

Geelong, 16 March 2015

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Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2014

| | Consolidated | |
|---|--------------------|--------------------|
| | Half-year ended | |
| | 31 Dec 2014 | 31 Dec 2013 |
| Notes | \$ | \$ |
| Continuing operations | | |
| Sales Revenue | 2,034,364 | 3,785,232 |
| Production expenses | (2,808,478) | (3,039,868) |
| Depreciation and amortisation expenses | (945,090) | (1,055,146) |
| Gross Profit/(Loss) | (1,719,204) | (309,782) |
| Interest Income | 33,203 | 35,202 |
| Administrative expenses | (111,593) | (217,270) |
| Consultancy fees | (26,513) | (27,456) |
| Employee benefit expenses | (771,045) | (406,338) |
| Impairment expenses | 4 (286,903) | (3,000,000) |
| Insurance expenses | (102,067) | (87,682) |
| Professional fees | (92,646) | (131,787) |
| Legal fees | (136,592) | (59,533) |
| Rehabilitation expense | (456,603) | - |
| Foreign exchange gain/(loss) | 224,434 | 73,834 |
| Other income and expenses | (26,541) | (41,308) |
| Profit/(loss) before tax | (3,472,070) | (4,172,120) |
| Income tax benefit | 1,483,628 | 1,387,802 |
| Profit/(loss) for the period from continuing operations | (1,988,442) | (2,784,318) |
| Other comprehensive income | - | - |
| Profit/(loss) for the period | (1,988,442) | (2,784,318) |
| Earnings per share | | |
| From continuing operations | | |
| Basic earnings/(loss) (cents per share) | (1.53) | (2.13) |

Notes to the condensed consolidated financial statements are included on pages 16 to 22

**Condensed consolidated statement of financial position
as at 31 December 2014**

| | Notes | Consolidated | |
|---------------------------------|-------|-------------------|-------------------|
| | | 31 Dec 2014 \$ | 30 Jun 2014 \$ |
| Current assets | | | |
| Cash and cash equivalents | | 3,369,491 | 2,403,479 |
| Trade and other receivables | 5 | 737,568 | 2,379,141 |
| Other assets | | 95,440 | 81,793 |
| Assets held for sale | 6 | 975,372 | - |
| Total current assets | | 5,177,871 | 4,864,413 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 2,251,974 | 4,257,976 |
| Total non-current assets | | 2,251,974 | 4,257,976 |
| Total assets | | 7,429,845 | 9,122,389 |

Notes to the condensed consolidated financial statements are included on pages 16 to 22

**Condensed consolidated statement of financial position
as at 31 December 2014 (cont.)**

| | Notes | Consolidated | |
|--------------------------------------|-------|-------------------|-------------------|
| | | 31 Dec 2014 \$ | 30 Jun 2014 \$ |
| Current liabilities | | | |
| Trade and other payables | | 633,223 | 847,560 |
| Provisions | 8 | 1,406,461 | 892,568 |
| Total current liabilities | | 2,039,684 | 1,740,128 |
| Non-current liabilities | | | |
| Provisions | | - | 3,658 |
| Total non-current liabilities | | - | 3,658 |
| Total liabilities | | 2,039,684 | 1,743,786 |
| Net assets | | 5,390,161 | 7,378,603 |
| Equity | | | |
| Issued capital | 9 | 29,846,015 | 29,846,015 |
| Share based payment reserve | | 2,303,074 | 2,303,074 |
| Accumulated losses | | (26,758,928) | (24,770,486) |
| Total equity | | 5,390,161 | 7,378,603 |

Notes to the condensed consolidated financial statements are included on pages 16 to 22

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2014**

| Consolidated | Notes | Issued Capital \$ | Accumulated Losses \$ | Share Based Payment Reserve \$ | Total \$ |
|--|-------|-------------------------|-----------------------------|---|-------------------|
| Balance 1 July 2013 | | 29,846,015 | (17,878,252) | 2,303,074 | 14,270,837 |
| Total comprehensive income/(loss) for the half-year | | - | (2,784,318) | - | (2,784,318) |
| Balance 31 December 2013 | | 29,846,015 | (20,662,570) | 2,303,074 | 11,486,519 |
| Balance 1 July 2014 | | 29,846,015 | (24,770,486) | 2,303,074 | 7,378,603 |
| Total comprehensive income/(loss) for the half-year | | - | (1,988,442) | - | (1,988,442) |
| Balance 31 December 2014 | | 29,846,015 | (26,758,928) | 2,303,074 | 5,390,161 |

Notes to the condensed consolidated financial statements are included on pages 16 to 22

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2014**

| Notes | Consolidated | |
|---|------------------|--------------------|
| | Half-year ended | |
| | 31 Dec 2014 | 31 Dec 2013 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 3,110,136 | 3,719,969 |
| Payments to suppliers and employees | (4,307,214) | (3,529,689) |
| Interest and other costs of finance paid | 22,703 | 35,202 |
| R&D tax offset received | 2,152,079 | - |
| Net cash provided by / (used in) operating activities | 977,704 | 225,482 |
| Cash flows from investing activities | | |
| Payments for plant and equipment | - | (1,408,229) |
| Net cash used in investing activities | - | (1,408,229) |
| Cash flows from financing activities | | |
| Net cash provided by financing activities | - | - |
| Net increase/(decrease) in cash and cash equivalents held | 977,704 | (1,182,747) |
| Cash and cash equivalents at the beginning of the financial period | 2,403,479 | 2,401,883 |
| Effects of exchange rate changes on cash and cash equivalents | (11,692) | 3,425 |
| Cash and cash equivalents at the end of the financial period | 3,369,491 | 1,222,561 |

Notes to the condensed consolidated financial statements are included on pages 16 to 22

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non- Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'

Notes to the condensed consolidated financial statements

1. Significant accounting policies (cont'd)

- Part C: 'Materiality'
- Interpretation 21 'Levies'

Going Concern

The half-year financial report has been prepared on the going concern basis, which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the half-year ended 31 December 2014, the Group incurred a net loss of \$1,988,442, and generated net cash inflows from operations for the six months of \$977,704. As at 31 December 2014 the Group had a surplus of current assets over current liabilities of \$3,138,187, and had \$3,369,491 of cash.

In October 2014, the Directors announced that the Group would be closing its aluminium by-product treatment operations in Moolap, with operations to cease in the first quarter of calendar year 2015. At the time this occurs, the Group will no longer have any income generating activities.

The Group's plans during 2015 include:

- Safe and efficient clean-up of Alreco's plant at Moolap;
- Minimise costs and maximise cash from sale of all assets including freehold land at Moolap and Russellville, KY, USA;
- Vigorously pursue recovery claims (refer details in Note 10); and
- Explore business opportunities that have the potential to rebuild MHM Metals' shareholder value.

Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to meet its commitments over the next twelve months. For that reason the financial statements have been prepared on the basis that the Group is a going concern.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such assets (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Notes to the condensed consolidated financial statements

1. Significant accounting policies (cont'd)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(a) Impairment of assets

The Group reviews assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. In assessing Alreco's Moolap assets for impairment, one of the key assumptions was in relation to estimated re-sale values of the land, buildings, plant and equipment, with the uncertainty being around the eventual sale value achieved and timing.

(c) Rehabilitation Provision

The Group has recognised a rehabilitation provision for the estimated cost of disposing of any remaining stockpiles of aluminium by-product upon completion of operations and for other expected costs of remediation of its operations. In assessing the rehabilitation provision, one of the key assumptions, and hence uncertainties, is the extent and cost of rehabilitation activities.

3. Segment information

Management has determined the operating segments based on reports reviewed by the strategic steering committee, the chief operating decision maker.

The Group has one only reporting segment, aluminium salt slag processing. Although the Group owns property in Kentucky, USA, at present the Group operates only in Australia.

Notes to the condensed consolidated financial statements

4. Impairment expense

As outlined in note 2(a), the Group reviews assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment assessment was performed as at 31 December 2014 for the Moolap property, plant and equipment. The recoverable amount of the relevant assets has been determined on the basis of their value in use and a discount rate of 11.5%. No impairment was required as at 31 December 2014.

The current period impairment of \$286,903 relates to the write-down of the Property, Plant and Equipment owned in Russellville, KY, USA. The impairment charge is to reduce the carrying amount of the assets held for sale to their expected recoverable amount. Refer note 6.

In the prior half year, the directors' identified that the carrying amount of the Moolap property plant and equipment exceeded the recoverable amount and was required to be written down by \$3,000,000. The recoverable amount of the relevant assets was determined on the basis of their value in use and a discount rate of 12% per annum.

| | Half-year ended | |
|---|-----------------|-------------|
| | 31 Dec 2014 | 31 Dec 2013 |
| | \$ | \$ |
| Impairment of property, plant and equipment | - | 3,000,000 |
| Impairment of Assets classified as available for sale | 286,903 | - |

5. Trade and other receivables

| | 31 Dec 2014 | 30 Jun 2014 |
|-----------------------------------|-------------|-------------|
| | \$ | \$ |
| Trade receivables | 112,525 | 1,162,561 |
| R&D tax offset refund | 500,000 | 1,168,451 |
| GST receivable | 70,870 | - |
| Other receivables | 54,173 | 48,129 |
| Total trade and other receivables | 737,568 | 2,379,141 |

Notes to the condensed consolidated financial statements

6. Assets classified as available for sale

During the half year ended 31 December 2014, the decision was made to sell the Property, Plant and Equipment owned in Russellville, KY, USA. As a result, the Property, Plant and Equipment owned in Russellville, KY, USA is classified as Assets classified as available for sale. The Property, Plant and Equipment classified as available for sale has been written down to the expected recoverable amount.

The Assets classified as available for sale comprise:

| | 31 Dec 2014 |
|--|--------------------|
| | \$ |
| Amount transferred from Property, plant & equipment | 1,262,275 |
| Impairment recognised | (286,903) |
| Assets classified as available - Property, plant & equipment | <u>975,372</u> |

7. Property, plant and equipment

| | Land & buildings | Plant improvements | Plant & equipment | Motor vehicles | Total |
|---|---------------------------------|-------------------------------|----------------------------------|---------------------------|------------------|
| At 30 June 2014 | | | | | |
| Cost or fair value | 2,283,539 | - | 9,484,721 | 72,506 | 11,840,766 |
| Accumulated depreciation and impairment | (27,933) | - | (7,495,748) | (59,109) | (7,582,790) |
| Net book amount | <u>2,255,606</u> | - | <u>1,988,973</u> | <u>13,397</u> | <u>4,257,976</u> |
| Half-year ended 31 December 2014 | | | | | |
| Opening net book amount | 2,255,606 | - | 1,988,973 | 13,397 | 4,257,976 |
| Additions | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Exchange difference | 198,696 | - | 2,667 | - | 201,363 |
| Disposal / write off (Cost) | - | - | 2,500,000 | - | 2,500,000 |
| Disposal / write off (Acc. dep.) | - | - | (2,500,000) | - | (2,500,000) |
| Depreciation charge | (4,356) | - | (937,236) | (3,498) | (945,090) |
| Transfer to current assets held for sale | (1,252,932) | - | (9,343) | - | (1,262,275) |
| Closing net book amount | <u>1,197,014</u> | - | <u>1,045,061</u> | <u>9,899</u> | <u>2,251,974</u> |
| At 31 December 2014 | | | | | |
| Cost or fair value | 1,218,253 | - | 6,971,094 | 72,506 | 8,261,853 |
| Accumulated depreciation and impairment | (21,239) | - | (5,926,033) | (62,607) | (6,009,879) |
| Net book amount | <u>1,197,014</u> | - | <u>1,045,061</u> | <u>9,899</u> | <u>2,251,974</u> |

Notes to the condensed consolidated financial statements

8. Provisions - current

| | 31 Dec 2014 | 30 Jun 2014 |
|--------------------------|-------------|-------------|
| | \$ | \$ |
| Employee benefits | 172,066 | 204,268 |
| Redundancy provision | 376,395 | - |
| Rehabilitation provision | 858,000 | 688,300 |
| Total provisions | 1,406,461 | 892,568 |

9. Equity securities issued

(a) Contributed equity

| | 31 December 2014 | 30 Jun 2014 | 31 December 2014 | 30 Jun 2014 |
|------------------------------|------------------|-------------|------------------|-------------|
| | Number | Number | \$ | \$ |
| Ordinary shares – fully paid | 130,218,145 | 130,218,145 | 29,816,015 | 29,816,015 |
| Options – unlisted | 2,750,000 | 4,990,000 | 30,000 | 30,000 |
| | | | 29,846,015 | 29,846,015 |

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

During the half-year ended 31 December 2014 no fully paid ordinary shares were issued.

(c) Options

At the end of the half-year, options over ordinary shares on issue are as shown below:

- 100,000 unlisted options exercisable at 28 cents and expiring 4 January 2015;
- 150,000 unlisted options exercisable at 85 cents and expiring 6 October 2015;
- 300,000 unlisted options exercisable at 180 cents and expiring 20 June 2016;
- 150,000 unlisted options exercisable at 100 cents and expiring 30 June 2016;
- 100,000 unlisted options exercisable at 126 cents and expiring 23 August 2016;
- 1,200,000 unlisted options exercisable at 171 cents and expiring 30 November 2016;
- 150,000 unlisted options exercisable at 135 cents and expiring 14 February 2017;
- 500,000 unlisted options exercisable at 100 cents and expiring 18 July 2017; and
- 100,000 unlisted options exercisable at 45 cents and expiring 13 November 2017.

| Date | Details | Number of options | Issue price \$ | \$ |
|--------------------------------|---------|-------------------|----------------|--------|
| At the beginning of the period | | 4,990,000 | - | 30,000 |
| Expired | | (2,240,000) | - | - |
| 31 December 2014 | | 2,750,000 | | 30,000 |

Notes to the condensed consolidated financial statements

10. Contingencies

(a) Contingent assets

On 18 September 2014 in the Federal Court of Australia Melbourne, Justice Davies ordered Mr Frank Rogers (former Managing Director) and Rogers Southern Pty Ltd (a company controlled by Mr Rogers) to pay compensation to MHM Metals Ltd of \$548,581 plus interest and costs totalling \$1,045,821. Mr Frank Rogers and Rogers Southern Pty Ltd appealed the ruling and the appeal was heard on the 2nd of March 2015. Due to the appeal process no amounts have been recorded in the accounts at 31 December 2014.

On 19 September 2014 the Group issued demands on several claims to recover substantial funds (approximately \$5 million, plus interest and legal costs), against a number of entities including Project Development Corporation ("PDC") and the Joint Venture Partners. The recovery claims relate to alleged breaches of a number of agreements entered into by the group and PDC and the Joint Venture Partners. No court date has been set.

(b) Contingent liabilities

The group has no contingent liabilities to disclose at the date of this report

11. Dividends

No dividends were declared or paid during the half year.

12. Events occurring after the reporting period

There has not been any matter or circumstance occurring subsequent to the end of the half year ended 31 December 2014 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Independent Auditor's Review Report to the members of MHM Metals Limited

We have reviewed the accompanying half-year financial report of MHM Metals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MHM Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MHM Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

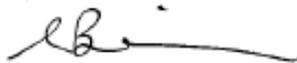
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MHM Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 16 March 2015